



United States  
Department of  
Agriculture

Farmers  
Home  
Administration

Washington  
D.C.  
20250

FmHA AN NO. 572 (456)

August 10, 1981

SUBJECT: Debt Settlement "Token Offers"

TO: All State Directors, District Directors,  
and County Supervisors, FmHA

We are concerned about an increase in the number of "token" debt settlement offers such as a \$25.00 offer on a \$25,000 debt. Such an offer indicates a lack of ability to repay. We believe that a greater effort must be made to obtain reasonable and realistic settlement offers. Such efforts should be clearly documented in the case file. Compromise and adjustment offers must represent an amount consistent with the borrower's repayment ability, assets and debt. Token offers are uneconomical to process, can influence other debtors to delay or avoid payments and do not represent adequate collection efforts.

We are also observing a significant increase in the number of cases where collection-only borrowers are not being serviced as prescribed in FmHA Instruction 1951.7 (b) (5). It is essential that reviews be conducted by District Directors and debt servicing plans developed and followed to ensure the collection or other appropriate action on these accounts. The State Director should review Form FmHA 451-27, "Review of Collection-Only Accounts" on a regular basis to monitor and follow up on proposed servicing and collection actions. Lack of servicing is resulting in far too many cases where reliable information about the debtor's whereabouts is unavailable or unknown. The statute of limitation has been allowed to run on debts without any servicing action. Also debts are not being accelerated promptly as required by FmHA Instructions when it has been determined FmHA does not plan to continue with the borrower.

We cannot over emphasize the responsibility of FmHA employees to collect their accounts in a timely manner to protect the interest of the Government and to process debt settlement actions when it is in the best interests of the Government and borrower.

  
CHARLES W. SHUMAN  
Administrator

EXPIRATION DATE: **August 31, 1982**

FILING INSTRUCTION PRECEDING  
FmHA INSTRUCTION 456.1



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